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# TECHNICAL MEMORANDUM

## Utah Regulatory Coal Program

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#3719  
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February 28, 2011

TO: Internal File

THRU: Steve Christensen, En Sci III, Team Lead SC  
Jim Smith, En Sci III, Permit Supervisor, Task Manager DS 03/01/11  
FROM: Peter Hess, En Sci III, Reclamation Cost Estimate Review PHH by SOS  
RE: MIDTERM PERMIT REVIEW, HEADWATERS, INC., COVOL Site,  
C/007/045, Task ID # 3719

### SUMMARY:

The Division initiated a midterm review of the mining and reclamation plan for the COVOL coal processing site on December 29, 2010. An inspection of the site by the Salt Lake technical staff was conducted on February 23, 2011. This memo will add a deficiency which the Permittee must address, that being an update of the reclamation cost estimate using 2011 unit costs supplied by the R. S. Means Heavy Construction Data manual.

This updated estimate is needed to determine if the amount of reclamation bond which has been posted is still adequate to reclaim this site until permit renewal on September 1, 2014.

### TECHNICAL ANALYSIS:

## RECLAMATION PLAN

### BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

### Analysis:

## **General**

As noted above, the Division initiated a midterm permit review on December 29, 2010, with a letter to the Permittee notifying them that seven areas of the R645 Coal Mining Rules would be evaluated. Section E states that the Division will "evaluate the reclamation bond to ensure that coverage adequately addresses permit changes subsequent to permit approval or renewal, and to ensure that the bond amount is appropriately escalated in current-year dollars." Thus, the Permittee must submit a new reclamation cost estimate using 2011 unit costs in accordance with R645-301-830.140. The Division will then review that estimate and determine its adequacy. The last reclamation cost estimate was incorporated on August 31, 2009.

## **Form of Bond**

The type of bond currently in place to assure the reclamation of the COVOL site is a cash surety, in the amount of \$ 165,000.00.

## **Determination of Bond Amount**

The current reclamation cost estimate for the COVOL site, as determined in 2009, has been calculated at \$ 143,922.00. This estimate was determined using 2009 unit costs.

To date, the Permittee has not submitted an updated reclamation cost estimate. In accordance with Division procedure, which is to update reclamation cost estimates during each midterm permit review, and R645-301-830.140, HEADWATERS, Inc., must submit an updated reclamation cost estimate using 2011 unit costs obtained from R.S. Means and other supporting information.

## **Terms and Conditions for Liability Insurance**

The Permittee's current general liability insurance coverage remains in effect through October 1, 2011. The insurers affording coverage are the Illinois Union Fire Insurance Company and the Liberty Mutual Fire Insurance Company. Coverage amounts for each occurrence and general aggregate categories are \$ 2,000,000 and \$ 4,000,000 respectively (adequate in accordance with R645-301-890.100).

## **Findings:**

The current information in the mining and reclamation plan (APPENDIX 8-1, Reclamation Bond Cost Estimate) is not current (August 31, 2009), and therefore cannot be used in the midterm permit review reclamation cost evaluation.

**R645-301-830.140, et al. Reclamation Cost Estimate**

In accordance with **R645-301-830.140**, and established Division procedure, HEADWATERS, Inc., must submit an updated reclamation cost estimate using 2011 unit costs obtained from R.S. Means with other supporting information, as needed.

**RECOMMENDATION:**

The Division can not finalize nor approve Task ID # 3719, MIDTERM PERMIT REVIEW for the COVOL coal processing facility at this time.

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